



Timika Shafeek-Horton
Deputy General Counsel
550 South Tryon Street
Charlotte, NC 28202

Mailing Address:
DEC 45A/PO Box 1321
Charlotte, NC 28201
704 382 6373 Direct
980 373 8534 Fax

Email Timika.Shafeek-Horton@duke-energy.com



January 2, 2013

VIA ELECTRONIC FILING

Jocelyn Boyd, Chief Clerk of the Commission
Public Service Commission of South Carolina
Post Office Drawer 11649
Columbia, South Carolina 29211

**Re: Application Regarding the Acquisition of Progress Energy, Incorporated by
Duke Energy Corporation and Merger of Progress Energy Carolinas,
Incorporated and Duke Energy Carolinas, LLC
PSC Docket No. 2011-158-E**

Dear Jocelyn:

In Order No. 2012-517 Approving Joint Dispatch Agreement (“JDA”), the Public Service Commission of South Carolina (“Commission”) conditioned its approval of the JDA on, among other things, Duke Energy Carolinas, LLC (“DEC”) and Progress Energy Carolinas, Inc.’s (“PEC”) guarantee that PEC’s and DEC’s retail customers would receive pro rata benefits equivalent to those approved by the North Carolina Utilities Commission (“NCUC”) in its Order ruling upon DEC’s and PEC’s Merger Application, including the protections of the revised Regulatory Conditions and Code of Conduct, to the extent allowable by South Carolina law. *Id.* at 41 ¶ 2. The Joint Final Consolidated Stipulation, Conditions, Code of Conduct approved by the NCUC states as follows:

Direct Charging of Costs. For purposes of distributing the costs of services provided between and among their affiliates, PEC shall continue to use direct charging, and all PEC employees shall continue to use positive time reporting. DEC shall increase the amount of such costs that are directly charged and will complete the transition to direct charging and positive time reporting within two years following the close of the Merger. DEC shall file semi-annual reports with the Commission detailing its progress in implementing these practices, with the first report due six months from the close of the Merger.

Jocelyn Boyd, Chief Clerk of the Commission
Public Service Commission of South Carolina
Page 2

Joint Final Consolidated Stipulation, Conditions, and Code of Conduct, Docket
Nos. E-2, Sub 998 and E-7, Sub 986 ¶ 8.

In response to the foregoing requirement, DEC reports that it has developed a draft plan that aligns the DEC charging practices with the premerger PEC charging practices and that requires positive time reporting. The Company is reviewing the plan internally and plans to meet with the South Carolina Office of Regulatory Staff during the first quarter of 2013 to discuss and review various aspects of the plan. Thereafter, the plan will be finalized and implementation will begin.

Please feel free to contact me if you have any questions.

Sincerely,


Timika Shafeek-Horton
Deputy General Counsel

TSH/gw